



Bay State Gas Company

D.T.E. 05-27

Attachment DTE-5-14 (d)

Page 1 of 10

*Case #*  
*31946-27*

December 14, 2004

Mr. Ed Frantz  
Director of Finance & Planning  
Ni Source Inc.  
200 Civic Center Drive  
Columbus, OH 43215  
VIA FACSIMILE: 614-460-5508

Re: Account No. 31946-00026

Dear Mr. Frantz:

In connection with the documentation of your transaction enclosed for execution are the following documents:

I. Master Documents

1. Secretary's Certificate

II. Lease Schedule Documents

1. Pay Proceeds Letter - please insert the date you wish for the funds to be disbursed.
2. True Lease Schedule
3. Schedule A
4. Warranty Bill of Sale
5. Acceptance Certificate
6. Early Purchase Option Rider
7. Purchase Option Rider
8. UCC Financing Statement - Secretary of State/MA
9. Customer Invoice - *The payment is not required for funding; please remit with your first payment due.*

III. Conditions Precedent to Funding

The items listed below are required prior to funding:

1. All originals fully executed documents as listed above.
2. All original invoices.

IV. Additional comments:

1. The pricing on this transaction is valid through December 30, 2004.
2. Documents should be signed by an authorized signer per the enclosed Incumbency Certificate.

Once the above documents have been completed, please return to my attention to the address listed below for my receipt by Thursday, December 30, 2003. Thank you for your assistance and I look forward to working with you on this transaction.

If you should have any questions or need assistance with respect to your transaction with Fleet, please feel free to call me at 401-278-7130. You can also reach me via the Internet at gina\_m\_cabral@fleetcl.com or via facsimile at 401-278-7416.

Sincerely,

Gina M. Cabral  
Operations Consultant  
Fleet Capital Corporation



One Financial Plaza  
Providence, Rhode Island 02903-2448

## PAY PROCEEDS LETTER

We, the undersigned, hereby authorize Fleet Capital Corporation to pay the following Payee(s) from the proceeds of financial accommodations provided to us by FCC as evidenced by that certain TRUE LEASE SCHEDULE No. 31945-00027 dated as of DECEMBER 08, 2003. Make disbursements directly to said Payee(s) as follows:

PAYEE	Amount of Payment
BAY STATE GAS COMPANY	\$3,352,154.00
Bank Name: <u>FLEET BANK</u>	
Bank City/State: <u>Providence, RI</u>	
ABA/Routing Number: <u>011000138</u>	
Account Name: <u>BAY STATE GAS</u>	
Account Number: <u>23430000</u>	

TOTAL:

\$3,352,154.00

Dated as of: DECEMBER 20, 2003

BAY STATE GAS COMPANY

By: Timothy J. Toldsh

Name: Timothy J. Toldsh

Title: Vice President, Finance



LEASE SCHEDULE NO. 31948-00027  
(True Lease Schedule)

One Financial Plaza  
Providence, Rhode Island 02903-2448

Lessee: BAY STATE GAS COMPANY  
Address: 300 FRIBERG PARKWAY  
WESTBOROUGH, MA 01581

1. This Lease Schedule No. 31948 - 00077 dated as of December 08, 2003 is entered into pursuant to and incorporates by this reference, all of the terms and provisions of that certain Master Equipment Lease Agreement No. 31946 dated as of OCTOBER 31, 1995 (the "Master Lease"), for the lease of the Equipment described in Schedule A attached hereto. This Lease Schedule shall constitute a separate, distinct and independent lease of the Equipment and the contractual obligation of Lessee. References to the "the Lease" or "this Lease" shall mean and refer to this Lease Schedule, together with the Master Lease and all exhibits, addenda, schedules, certificates, riders and other documents and instruments executed and delivered in connection with this Lease Schedule, all as the same may be amended or modified from time to time. All capitalized terms used herein and not defined herein shall have the meanings set forth or referred to in the Master Lease. By its execution and delivery of this Lease Schedule, Lessee hereby reaffirms all of the representations, warranties and covenants contained in the Master Lease, as of the date hereof, and further represents and warrants to Lessor that no Event of Default, and no event or condition which with notice or the passage of time or both would constitute an Event of Default, has occurred and is continuing as of the date hereof.

2. **ACQUISITION COST.** The Acquisition Cost of the Equipment is: \$3,352,154.00

3. (a) **LEASE TERM.** The Lease Term shall commence on the date hereof and shall continue for a period of 107 months after the Lease Term Commencement Date set forth in the Acceptance Certificate to this Lease Schedule, plus any renewals or extended term applicable in accordance with the terms of the Lease.

(b) **RENTAL PAYMENTS.** In addition to interim rent, Lessee shall pay Lessor 107 consecutive Rental Payments in the amount of \$ 100,000.00 per month, commencing on the Rental Payment Date set forth in the Acceptance Certificate and MONTHLY thereafter for the remaining Lease Term. Each Rental Payment shall be payable on the same day of the month as the Rental Payment Date in each succeeding rental period during the remaining Lease Term (each, a "Rental Payment Date").

<u>Number of Rental Payments</u>	<u>Amount of Each Rental Payment</u>
1-63	\$33,325.12
64-107	\$40,661.69

(c) **ADVANCE RENTAL PAYMENT.** Lessee agrees to pay Lessor the first 0 and last 0 Rental Payments, due and payable on the Acceptance Date.

(d) **SECURITY DEPOSIT.** Lessee agrees to make a payment in an amount equal to 5% of the Acquisition Cost of the Equipment, due and payable on the Acceptance Date, to be held by Lessor as a non-interest bearing deposit to secure Lessee's performance under the Lease.

4. **EQUIPMENT LOCATION (S).** The Equipment will be located at the location(s) specified in Schedule A hereof.



5. Lessor will invoice Lessee for all sales, use and/or personal property taxes as and when due and payable in accordance with applicable law, unless Lessee delivers to Lessor a valid exemption certificate with respect to such taxes. Delivery of such certificate shall constitute Lessee's representation and warranty that no such taxes shall become due and payable with respect to the Equipment, and Lessee shall indemnify and hold harmless Lessor from and against any and all liability or damages, including late charges and interest which Lessor may incur by reason of the assessment of such taxes.

6. The Rental Payments may change for Equipment accepted after DECEMBER 24, 2003.

7. Lessee represents that to the best of Lessee's knowledge the applicable recovery period for the Equipment, for purposes of Section 168 of the Internal Revenue Code of 1986, is as set forth in Schedule A hereto.

Dated as of: December 08, 2003

FLEET CAPITAL CORPORATION

By: Sandra Buonaio

Name: Sandra Buonaio

Title: Vice President

BAY STATE GAS COMPANY

By: Timothy J. Tolesh

Name: Timothy J. Tolesh

Title: Vice President, Finance



## WARRANTY BILL OF SALE

One Financial Plaza  
Providence, Rhode Island 02903-2448

BAY STATE GAS COMPANY ("Seller") of 300 FRIBERG PARKWAY, WESTBOROUGH, MA 01581,  
in consideration of the sum of \$3,352,154.00 Dollars, and other good and valuable consideration, the receipt and  
sufficiency of which is hereby acknowledged, does hereby sell, transfer and assign to Fleet Capital Corporation  
("FCC") a Rhode Island corporation having its principal office at One Financial Plaza, Providence, Rhode Island  
02903, the equipment set forth in Schedule A hereto (the "Equipment").

Seller hereby covenants with and warrants to FCC that Seller is the lawful owner of the Equipment and  
has the right to sell the Equipment, and that the Equipment is free and clear of all rights, claims, liens, charges,  
security interests or encumbrances of any other person. Seller will forever indemnify, defend and warrant all of  
the rights of FCC in and to the Equipment transferred hereunder against the claims and demands of all other  
persons.

IN WITNESS WHEREOF, Seller has duly executed this Bill of Sale this 20 day of December, 2003.

BAY STATE GAS COMPANY

By: Timothy J. Tokish

Name: Timothy J. Tokish

Title: Vice President, Finance

State of \_\_\_\_\_

County of \_\_\_\_\_

Subscribed and sworn before me this \_\_\_\_\_ day of \_\_\_\_\_

\_\_\_\_\_  
Notary Public

My Commission expires: \_\_\_\_\_

(SEAL)







One Financial Plaza  
Providence, Rhode Island 02903-2448

## ACCEPTANCE CERTIFICATE

This Acceptance Certificate (this "Acceptance Certificate") is attached to and made a part of that certain Lease Schedule No. 31946-00027, dated as of DECEMBER 08, 2003 (the "Lease Schedule"), by and between the undersigned parties. All capitalized terms used herein and not defined herein shall have the meanings set forth or referred to in the Lease Schedule. To the extent the terms set forth in this Acceptance Certificate differ or conflict with any of the terms set forth in the Lease, the terms set forth in this Acceptance Certificate shall control.

1. Lessee acknowledges and agrees that each item of Equipment set forth on Schedule A hereina (collectively, the "Equipment") is hereby unconditionally accepted by Lessee for all purposes under the Lease at the locations specified in Schedule A hereto, and hereby agrees to faithfully perform all of its obligations under the Lease as of the date hereof (the "Acceptance Date").

2. By its execution and delivery of this Acceptance Certificate, Lessee hereby reaffirms all of the representations, warranties and covenants contained in the Lease as of the date hereof, and further represents and warrants to Lessor that no Event of Default, and no event or condition which with notice or the passage of time or both would constitute an Event of Default, has occurred and is continuing as of the date hereof. Lessee further certifies to Lessor that Lessee has selected the Equipment and has received and approved the purchase order, purchase agreement or supply contract under which the Equipment will be acquired for all purposes of the Lease.

3. Lessee hereby represents and warrants that (a) the Equipment has been delivered and is in an operating condition and performing the operation for which it is intended to the satisfaction of the Lessee.

4. The LEASE TERM COMMENCEMENT DATE is the 29 day of December, 2003.

5. The RENTAL PAYMENT COMMENCEMENT DATE is the 29 day of January, 2004.

6. All terms and provisions of the Lease Schedule shall remain in full force and effect, except as otherwise provided below:

- ACQUISITION COST: \$ \_\_\_\_\_

- LEASE TERM: \_\_\_\_\_ months.

RENTAL PAYMENTS:	Number of Rental Payments	Rental Payment Amount
	N/A	N/A

- ADVANCE RENTAL PAYMENT (\$): First N/A and last N/A

- SECURITY DEPOSIT: N/A %.

Dated: DECEMBER 29, 2003

Agreed and Accepted:

FLEET CAPITAL CORPORATION

By: Sandra Buonaiuto

Name: Sandra Buonaiuto  
Title: Vice President

BAY STATE GAS COMPANY

By: Timothy J. Tokish

Name: Timothy J. Tokish  
Title: Vice President, Finance

EARLY PURCHASE OPTION RIDER  
(single option)One Financial Plaza  
Providence, Rhode Island 02903-2448

This Early Purchase Option Rider (this "Rider") is attached to and made a part of that certain Lease Schedule No. 31948-00027, dated as of DECEMBER 08, 2003 (the "Lease Schedule"), by and between the undersigned parties.

So long as no Event of Default has occurred and is continuing under the Lease, and upon at least 90 days prior written notice to Lessor, Lessee shall have the right to terminate the Lease Term for all but not less than all of the Equipment on the Rental Payment Date for Rental Payment Number 96 (the "Termination Date"). Lessee shall pay to Lessor on the Termination Date an amount equal to: (a) all Rental Payments, late charges and other amounts due and owing under the Lease; plus (b) all taxes, assessments and other charges due or payable in connection with the sale of the Equipment to Lessee; plus (c) 18.52000% of the Acquisition Cost of the Equipment.

Provided that Lessor shall have received all amounts payable hereunder on the Termination Date, and that no Event of Default then exists and is continuing under the Lease, Lessor shall convey all of its right, title and interest in and to the Equipment to Lessee on the Termination Date, on an "AS-IS," "WHERE-IS" BASIS WITHOUT REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, and without recourse to Lessor, except that the Equipment shall be free and clear of all liens created by Lessor.

In the event Lessee shall not pay all amounts due hereunder on the Termination Date, then the Lease Term for the Equipment shall continue in full force and effect, and this Rider shall be null and void and of no further force and effect.

All capitalized terms used herein and not defined herein shall have the meanings set forth or referred to in the Lease Schedule. Except as specifically set forth herein, all of the terms and conditions of the Lease shall remain in full force and effect and are hereby ratified and affirmed. To the extent that the provisions of this Rider conflict with any provisions contained in the Lease, the provisions of this Rider shall control.

Dated as of: DECEMBER 08, 2003

## FLEET CAPITAL CORPORATION

By: Sandra BuonaiutoName: Sandra BuonaiutoTitle: Vice President

## BAY STATE GAS COMPANY

By: Timothy J. TokishName: Timothy J. TokishTitle: Vice President, Finance





## PURCHASE OPTION RIDER

One Financial Plaza  
Providence, Rhode Island 02903-2448

This Purchase Option Rider (this "Rider") is attached to and made a part of that certain Lease Schedule No. 31945-00027, dated as of DECEMBER 08, 2003 (the "Lease Schedule"), by and between the undersigned parties.

1. Purchase Option. If no Event of Default (or event or condition which, with the passage of time or giving of notice, or both, would become such an Event of Default) shall have occurred and be continuing, and the Lease shall not have been earlier terminated, Lessee shall have the option to purchase (the "Purchase Option") all, but not less than all, of the Equipment at the expiration of the Lease Term for an amount, payable in immediately available funds on the last day of the Lease Term, equal to: (a) all Rental Payments, late charges and other amounts due and owing under the Lease; plus (b) all taxes, assessments and other charges due or payable in connection with the sale of the Equipment to Lessee; plus (c) the Purchase Option Price (hereinafter defined).

Provided that Lessor shall have received all amounts payable hereunder on the last day of the Lease Term, and that no Event of Default then exists and is continuing under the Lease. Lessor shall convey all of its right, title and interest in and to the Equipment to Lessee on the last day of the Lease Term, on an "AS-IS," "WHERE-IS" BASIS WITHOUT REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, and without recourse to Lessor, except that the Equipment shall be free and clear of all liens created by Lessor. If Lessee intends to exercise the Purchase Option, Lessee shall give irrevocable written notice to Lessor (the "Option Notice") not more than 240 days, nor less than 180 days, prior to the expiration of the Lease Term. If Lessee fails to give such written notice to Lessor, it shall be conclusively presumed that Lessee has elected not to exercise the Purchase Option.

If, for any reason, Lessee does not exercise the Purchase Option, Lessee shall, on the last day of the Lease Term, return all of the Equipment to Lessor pursuant to and in the condition required by the terms of the Lease and pay to Lessor a return fee equal to 5.00000% of the Acquisition Cost of the Equipment.

2. Purchase Option Price. If Lessee has elected to exercise the Purchase Option, then the "Purchase Option Price" shall be the Fair Market Value (hereinafter defined) of the Equipment. As soon as practicable following Lessor's receipt of the Option Notice, Lessor and Lessee shall agree on the Fair Market Value of the Equipment as of the end of the Lease Term. Fair Market Value of the Equipment shall be the amount determined on the basis of, and equal in value to, the amount which would be obtained in an arm's-length transaction between an informed and willing buyer-user (other than a buyer-user currently in possession or a used equipment or scrap dealer) and an informed and willing seller, under no compulsion to buy or sell, provided, however, that in such determination (i) costs of removal from the location of current use shall not be a deduction from such value, (ii) it shall be assumed (whether or not the same be true) that the Equipment has been maintained and would have been returned to Lessor in compliance with the requirements of the Lease, and (iii) if any item of Equipment has been attached to or installed on or in any other property leased or owned by Lessee, then the fair market value of such item of Equipment shall be determined on an installed basis, in place and in use.

If Lessor and Lessee fail to agree upon Fair Market Value on or before one hundred sixty (160) days prior to the expiration of the Lease Term, then such value shall be determined by the Appraisal Procedure (as set forth in Section 3 below), at Lessee's sole cost and expense.

3. Appraisal Procedure. On the earlier of 180 days prior to the end of the Lease Term or the date on which either party hereto shall have given written notice to the other requesting determination of the Fair Market Value of the Equipment by this Appraisal Procedure (the "Appraisal Notice"), the parties shall consult for the purpose of appointing a qualified American Society of Appraisers ("ASA") certified appraiser by mutual agreement. If no such appraiser is so appointed within ten (10) business days after the Appraisal Notice is given, each party shall appoint a certified ASA appraiser and the two appraisers shall attempt to jointly agree on the Fair Market Value of the Equipment. If the two appraisers cannot so agree, then the two appraisers so appointed shall appoint a third certified ASA appraiser. If the two appraisers have been unable to agree on the Fair Market Value and on a third appraiser within thirty (30) days after the date of their appointment, Lessor may apply to the ASA or the American Arbitration Association to make such appointment, and both parties shall be bound by any such appointment. Any appraiser or appraisers appointed pursuant to this Appraisal Procedure shall be bound to determine the Fair Market Value of the Equipment within thirty (30) days after the appointment of the final appraiser to be employed pursuant to this Appraisal Procedure. If the parties shall have appointed a single appraiser, his or her determination of value shall be final, binding and conclusive on the parties. If the parties have appointed two appraisers, then their jointly agreed determination of value shall be final, binding and conclusive on the parties. If three appraisers shall be appointed, the values determined by the three appraisers shall be averaged, the appraisal having a value furthest from the average shall be discarded and the remaining two appraised values shall be averaged, and the average of the remaining two appraised values shall be final, binding and conclusive on the parties.

All capitalized terms used herein and not defined herein shall have the meanings set forth or referred to in the Lease Schedule. Except as specifically set forth herein, all of the terms and conditions of the Lease shall remain in full force and effect and are hereby ratified and affirmed. To the extent that the provisions of this Rider conflict with any provisions contained in the Lease, the provisions of this Rider shall control.

Dated as of: DECEMBER 08, 2003

**FLEET CAPITAL CORPORATION**

By: Sandra Buonaiuto

Name: Sandra Buonaiuto

Title: Vice President

**BAY STATE GAS COMPANY**

By: Timothy J. Toldish

Name: Timothy J. Toldish

Title: Vice President, Finance